

**2SHB 1161** - H AMD 492

By Representative Hurst

**NOT CONSIDERED**

1 Strike everything after the enacting clause and insert the  
2 following:

3  
4 "NEW SECTION. **Sec. 1.** The legislature finds that the adoption of  
5 Initiative Measure No. 1183 by the voters in 2011 privatized the  
6 wholesale and retail distribution of spirits in Washington. The  
7 legislature finds that the implementation of Initiative Measure No.  
8 1183 has created some unresolved issues in the marketplace.  
9 Therefore, the legislature recognizes the need for: (1) More fairness  
10 in the market for licensees who were former contract liquor store  
11 managers or who purchased the rights to a former state liquor store at  
12 auction; and (2) phased-in uniformity in the market.

13  
14 NEW SECTION. **Sec. 2.** A new section is added to chapter 66.24 RCW  
15 to read as follows:

16 (1) Beginning on the effective date of this section, the license  
17 issuance fee under RCW 66.24.630(4) does not apply to a spirits retail  
18 licensee that was a former contract liquor store manager or who  
19 purchased the rights to a former state liquor store at auction with  
20 respect to sales of spirits in original containers from the location  
21 of its spirits retail licensed premises to retailers licensed to sell  
22 spirits for consumption on the premises for resale at their licensed  
23 premises.

24 (2) Beginning January 1, 2014, the license issuance fee under RCW  
25 66.24.630(4) does not apply to any spirits retail licensee with  
26 respect to sales of spirits in original containers to retailers

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1 licensed to sell spirits for consumption on the premises for resale at  
2 their licensed premises.

3 (3) If no distributor license fee has been paid on sales from a  
4 spirits retail licensee to a retailer licensed to sell spirits for  
5 consumption on the premises for resale at their licensed premises, the  
6 spirits retail licensee must pay the distributor license fee to the  
7 board, for deposit into the liquor revolving fund.

8 (4) For the period preceding the effective date of subsection (2)  
9 of this section, the provisions contained in subsection (1) of this  
10 section shall apply to any successor, by purchase or otherwise, who  
11 obtains a spirits retail license for a business property derived  
12 directly from a former contract liquor store manager or from a  
13 purchaser of the rights to a former state liquor store at auction.

14  
15 **Sec. 3.** RCW 66.24.055 and 2012 c 2 s 105 (Initiative Measure No.  
16 1183, approved November 8, 2011) are each amended to read as follows:

17 (1) There is a license for spirits distributors to (a) sell  
18 spirits purchased from manufacturers, distillers, or suppliers  
19 including, without limitation, licensed Washington distilleries,  
20 licensed spirits importers, other Washington spirits distributors, or  
21 suppliers of foreign spirits located outside of the United States, to  
22 spirits retailers including, without limitation, spirits retail  
23 licensees, special occasion license holders, interstate common carrier  
24 license holders, restaurant spirits retailer license holders, spirits,  
25 beer, and wine private club license holders, hotel license holders,  
26 sports entertainment facility license holders, and spirits, beer, and  
27 wine nightclub license holders, and to other spirits distributors; and  
28 (b) export the same from the state.

29 (2) By January 1, 2012, the board must issue spirits distributor  
30 licenses to all applicants who, upon December 8, 2011, have the right  
31 to purchase spirits from a spirits manufacturer, spirits distiller, or  
32 other spirits supplier for resale in the state, or are agents of such  
33 supplier authorized to sell to licensees in the state, unless the

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1 board determines that issuance of a license to such applicant is not  
2 in the public interest.

3 (3)(a) As limited by (b) of this subsection and subject to (c) of  
4 this subsection, each spirits distributor licensee must pay to the  
5 board for deposit into the liquor revolving fund, a license issuance  
6 fee calculated as follows:

7 (i) In each of the first (~~two years~~) twenty-seven months of  
8 licensure, ten percent of the total revenue from all the licensee's  
9 sales of spirits made during the (~~year~~) month for which the fee is  
10 due, respectively; and

11 (ii) In the (~~third year~~) twenty-eighth month of licensure and  
12 each (~~year~~) month thereafter, five percent of the total revenue from  
13 all the licensee's sales of spirits made during the (~~year~~) month for  
14 which the fee is due, respectively.

15 (b) The fee required under this subsection (3) is calculated only  
16 on sales of items which the licensee was the first spirits distributor  
17 in the state to have received:

18 (i) In the case of spirits manufactured in the state, from the  
19 distiller; or

20 (ii) In the case of spirits manufactured outside the state, from  
21 an authorized out-of-state supplier.

22 (c) By March 31, 2013, all persons holding spirits distributor  
23 licenses on or before March 31, 2013, must have paid collectively one  
24 hundred fifty million dollars or more in spirits distributor license  
25 fees. If the collective payment through March 31, 2013, totals less  
26 than one hundred fifty million dollars, the board must, according to  
27 rules adopted by the board for the purpose, collect by May 31, 2013,  
28 as additional spirits distributor license fees the difference between  
29 one hundred fifty million dollars and the actual receipts, allocated  
30 among persons holding spirits distributor licenses at any time on or  
31 before March 31, 2013, ratably according to their spirits sales made  
32 during calendar year 2012. Any amount by which such payments exceed  
33 one hundred fifty million dollars by March 31, 2013, must be credited  
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1 to future license issuance fee obligations of spirits distributor  
2 licensees according to rules adopted by the board.

3 (d) A retail licensee selling for resale must pay a distributor  
4 license fee under the terms and conditions in this section on resales  
5 of spirits the licensee has purchased on which no other distributor  
6 license fee has been paid. The board must establish rules setting  
7 forth the frequency and timing of such payments and reporting of sales  
8 dollar volume by the licensee, with payments due quarterly in arrears.

9 (e) No spirits inventory may be subject to calculation of more  
10 than a single spirits distributor license issuance fee.

11 (4) In addition to the payment set forth in subsection (3) of this  
12 section, each spirits distributor licensee renewing its annual license  
13 must pay an annual license renewal fee of one thousand three hundred  
14 twenty dollars for each licensed location.

15 (5) There is no minimum facility size or capacity for spirits  
16 distributor licenses, and no limit on the number of such licenses  
17 issued to qualified applicants. License applicants must provide  
18 physical security of the product that is substantially as effective as  
19 the physical security of the distribution facilities currently  
20 operated by the board with respect to preventing pilferage. License  
21 issuances and renewals are subject to RCW 66.24.010 and the  
22 regulations promulgated thereunder, including without limitation  
23 rights of cities, towns, county legislative authorities, the public,  
24 churches, schools, and public institutions to object to or prevent  
25 issuance of local liquor licenses. However, existing distributor  
26 premises licensed to sell beer and/or wine are deemed to be premises  
27 "now licensed" under RCW 66.24.010(9)(a) for the purpose of processing  
28 applications for spirits distributor licenses.

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30 NEW SECTION. **Sec. 4.** The changes made in section 3 of this act  
31 apply to spirits distributors licensed on or after January 1, 2012.

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33 NEW SECTION. **Sec. 5.** This act is necessary for the immediate  
34 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes  
2 effect immediately."

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4 Correct the title.

EFFECT: (1) Provides that spirits distributors must pay the 10%  
license issuance fee for an additional three months of being  
licensed (a total of 27 months, rather than 24 months).

(2) Provides that the exemption from the 17% spirits retailer  
license issuance fee for former contract liquor stores and  
purchasers of former state liquor stores applies to any successor of  
a business derived directly from a former contract liquor store or  
purchaser of a former state liquor store.

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